



# Administrative Report

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N.1., File # 20-1445

Meeting Date: 10/6/2020

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**To:** MAYOR AND CITY COUNCIL  
**From:** JOHN LA ROCK, COMMUNITY SERVICES DIRECTOR

## **TITLE**

DISCUSSION AND POSSIBLE ACTION REGARDING A CDBG-CV CARES ACT ENTITLEMENT FOR REDONDO BEACH IN THE AMOUNT OF \$453,481 AND THE ELIGIBILITY OF ALLOCATIONS TO SMALL BUSINESSES AND ADDITIONAL ALLOWABLE USES

## **EXECUTIVE SUMMARY**

The City of Redondo Beach will be granted an additional \$453,481 in CDBG-CV funds through the Coronavirus Aid, Relief, and Security Act (CARES Act). This allocation is in addition to previous allocations of (1) \$168,393 that the City Council allocated to reimburse various City and local service agency response expenses caused by the Pandemic and (2) \$827,184 in Coronavirus Relief Funds (CRF) that to date is being used to defray the City's COVID-19 related costs with \$110,000 of these funds designated for business support efforts as recently directed by the City Council. The \$454,481 in CDBG-CV funds is a HUD-given grant which may solely be used to prepare, prevent, and respond to the infectious disease.

Based on staff's research to date, the recently announced \$453,481 CDBG-CV allocation to the City may be used to provide grants to qualifying small businesses for pandemic response and impacts as of January 21, 2020. Additional eligible activities are establishing temporary emergency shelters for people experiencing homelessness and establishing medical treatment facilities, including a future COVID-19 vaccine distribution location. Up to 20% of the CDBG-CV allocation can be used for the administration of sub-recipient grants and grant monitoring.

The City's has identified \$110,000 in business relief efforts consisting of (1) \$50,000 for Riviera Village, (2) \$20,000 to assist businesses on Aviation and Artesia, and (3) \$40,000 for citywide business support with eligible COVID-19 related expenses. Copies the guidelines for the use of each of these three business support programs is attached to this report.

At the September 22, 2020 City Council meeting, Council asked for a follow-up report to determine whether the \$110,000 in business support could be paid from the \$453,481 CDBG-CV allocation and to identify other potential uses of these funds. There is a benefit of charging the \$110,000 to the CDBG-CV funding instead of the CARES-CV funding in that it would enable the City to recover more of its COVID-19 related costs.

Following direction from the City Council on the allocations for the CDBG-CV entitlement, a public

hearing would be held to effect required updates to the City's Annual Action Plan and 5-Year Consolidated Plan.

Additionally, to be consistent with CDBG regulations, the City's COVID-19 reimbursement grant guidelines and applications would need to be expanded to include some further stipulations/requirements such as proof of business insurance and retention of records for audit purposes. The guidelines and applications are attached to this report.

### **BACKGROUND**

The CARES Act was approved and enacted on March 27, 2020 due to the spread of COVID-19. HUD recognized the impacts of such pandemic and will be providing the City with additional CDBG-CV funds to assist affected residents and City Staff. The City previously received \$168,393 in CDBG-CV1 funds from HUD and has been informed that the City will receive \$453,481 in CDBG-CV3 funds. In addition, HUD has granted the City with waivers and suspensions to certain Community Development Block Grant (CDBG) funds. The purpose of these waivers is to maximize the available amount of funds that may be used for those impacted by COVID-19.

The primary purpose of the Housing and Urban Development (HUD) CARES Act CDBG-CV funding is for those activities carried out to prevent, prepare for, and respond to the coronavirus pandemic. The CARES Act identifies four general categories for eligible activities. These categories are as follows:

- Assist public services with the increase in demand for service
- Economic development and microenterprise business assistance
- Public facilities enhancement to support infectious disease treatment
- Conversion of private buildings to housing

Eligible activities the City is considering for consideration of funding include the following:

- Mitigation of economic disruptions caused by stay at home orders and social distancing requirements by providing short-term assistance to small businesses for retention of jobs held by low and moderate-income persons. Funds could be used for rent assistance, utility assistance or purchase of materials or construction assistance required to reopen
- Creation and management of temporary emergency shelters for individuals and families experiencing homelessness, including operations, security, food, maintenance, furnishings, utilities, and human services for counseling, housing navigation, etc.;
- Acquisition, rehabilitation, construction of a facility for testing, diagnosis or treatment. This would include the preparation of an existing City facility to serve as a coronavirus vaccine distribution location.

Additionally, up to 20% of the entitlement can be allocated to planning and program administrative costs. For Redondo Beach, this allocation could be applied to the additional services that will be provided by the City's CDBG consultant for monitoring, reporting and auditing of the grant recipients

as required by HUD, as well as for a percentage of the City staff time allocated to the administration of any grants. The 20% planning and administrative cap amount for the CDBG-CV3 funds is \$90,696. It should be noted that the City has regularly allocated 15% for administrative costs from the annual CDBG local services entitlement grant.

Eligible activities for CDBG-CV3 funding allocations may be considered for costs that were incurred on or after January 21, 2020 (the date the CDC confirmed the first case of coronavirus in the United States). The CDBG-CV3 funds may be allocated by the City through 2025; eighty (80%) percent of the entitlement must be expended by the end of the third year of the performance period, or by December 31, 2023.

It is important to note the recipients of any CDBG-CV funding address needs that have not been covered by other sources of financial assistance, such as the Payroll Protection Program (PPP) or the Economic Injury Disaster Loans (EIDL). Because there is a large amount of financial assistance to small businesses available, grantees must have procedures to prevent the duplication of benefits between various programs. Grantees are required to carefully document the distribution and use of funds to satisfy the statutory purposes of the CARES Act. Prohibited uses of CDBG-CV funds include acquisition of personal property and equipment and the use of funds to pay off loans. The eligibility of small businesses and their qualifying low-and-moderate income employees would be verified in part by reviewing the employer's payroll records and cross-checking employee addresses in the HUD database.

Updates to the City's CDBG 2020 Annual Action Plan and 2020-2025 Consolidated Plan to reflect the additional entitlement funding and the City Council's direction on allocation of CDBG-CV funds will be presented at a future public hearing. HUD has extended the deadline for entitlement Cities to submit updated plans to August 16, 2021.

### **COORDINATION**

As the program to allocate the COVID-19 funds are developed, Community Services Department staff will coordinate with the City's CDBG consultant and the Public Works and Financial Services Departments. This report was prepared by the Community Services Department in coordination with the office of the City Manager, the Financial Services Department and the City's CDBG consultant, Michael Baker International.

### **FISCAL IMPACT**

The CDBG-CV entitlement amount of \$453,481 is subject to a reporting and reimbursement procedure with HUD. The City would be required to allocate funds from internal sources and then submit documentation for reimbursement under the entitlement grant. It is recommended the City allocate a percentage of the entitlement grant for administrative costs to service the grant, which the City will incur both internally and for services provided by its CDBG consultant.

REVENUE		EXPENSES (eligible)	
CDBG-CV Round 3	\$453,481	Small Business Grants	TBD
		Emergency Shelters	TBD
		Treatment Facilities	TBD

Administration (20% cap) \$90,696 (maximum)

**APPROVED BY:**

*Joe Hoefgen, City Manager*

**ATTACHMENTS**

1. Riviera Village Association COVID-19 reimbursement grant guidelines
2. Riviera Village Association COVID-19 reimbursement application
3. Artesia/Aviation Commercial Corridor COVID-19 reimbursement grant guidelines
4. Artesia/Aviation Commercial Corridor COVID-19 reimbursement application
5. Citywide COVID-19 Reimbursement grant guidelines
6. Citywide COVID-19 reimbursement application